

TOWN OF LAKE ARTHUR, LOUISIANA
ANNUAL FINANCIAL REPORT
JULY 31, 2014

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TOWN OF LAKE ARTHUR, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended July 31, 2014

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TOWN OF LAKE ARTHUR, LOUISIANA

July 31, 2014

MAYOR

The Honorable Robert B. Bertrand

BOARD OF ALDERMEN

Ms. Dorothy Charles
Ms. Sherry Crochet
Mr. Ellsworth Duhon

Mr. David Hanks
Mr. Troy Trahan

LEGAL COUNSEL

Mr. Bennett LaPoint

TOWN CLERK

Mrs. Cynthia Mallett

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REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street and Alley Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2015, on our consideration of the Town of Lake Arthur, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Lake Arthur, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
January 23, 2015

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET POSITION
July 31, 2014

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 1,171,239	\$ 599,900	\$ 1,771,139
Investments	1,508,968	469,215	1,978,183
Receivables	24,940	44,968	69,908
Prepays	1,467	3,732	5,199
Due from other funds	368,888	(368,888)	-
Restricted cash	-	75,293	75,293
Capital assets:			
Land and construction in progress	911,358	9,604	920,962
Capital assets, net of accumulated depreciation	4,491,886	2,297,314	6,789,200
Total assets	<u>8,478,746</u>	<u>3,131,138</u>	<u>11,609,884</u>
LIABILITIES			
Accounts and other accrued payables	85,232	18,556	103,788
Customer meter deposits	-	75,293	75,293
Other payables	15,947	8,230	24,177
Long-term liabilities:			
Due within one year	34,086	12,914	47,000
Due after one year	490,951	120,049	611,000
Total liabilities	<u>626,216</u>	<u>235,042</u>	<u>861,258</u>
NET POSITION			
Net investment in capital assets	4,878,207	2,173,955	7,052,162
Restricted for:			
Debt service	304,176	-	304,176
Streets and drainage	320,766	-	320,766
Unrestricted	<u>2,349,381</u>	<u>722,141</u>	<u>3,071,522</u>
Total net assets	<u>\$ 7,852,530</u>	<u>\$ 2,896,096</u>	<u>\$ 10,748,626</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended July 31, 2014

Activities	Expenses	Program Revenues	
		Fees, Fines and Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 297,960	\$ 92,295	\$ 63,707
Highways and streets	353,357	1,977	-
Public safety	531,308	33,374	27,583
Health and recreation	467,863	288,465	-
Economic development	7,549	5,635	4,000
Community center	60,264	-	-
Total governmental activities	1,718,301	421,746	95,290
Business-type activities:			
Water and sewer	474,207	454,022	-
Total activities	<u>\$ 2,192,508</u>	<u>\$ 875,768</u>	<u>\$ 95,290</u>

General revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Intergovernmental

 Interest and investment earnings

 Miscellaneous

 Transfers

 Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to financial statements

(Expense) Revenues and Changes in Net Assets			
Capital Grants	Governmental Activities	Business- Type Activities	Total
\$ -	\$ (141,958)	\$ -	\$ (141,958)
7,206	(344,174)	-	(344,174)
-	(470,351)	-	(470,351)
-	(179,398)	-	(179,398)
-	2,086	-	2,086
-	(60,264)	-	(60,264)
7,206	(1,194,059)	-	(1,194,059)
3,255	-	(16,930)	(16,930)
<u>\$ 10,461</u>	<u>\$ (1,194,059)</u>	<u>\$ (16,930)</u>	<u>\$ (1,210,989)</u>

\$ 239,261	\$ -	\$ 239,261
690,903	50,409	741,312
140,525	-	140,525
26,751	-	26,751
7,314	1,599	8,913
213,808	33,156	246,964
(12,308)	12,308	-
<u>1,306,254</u>	<u>97,472</u>	<u>1,403,726</u>
112,195	80,542	192,737
<u>7,740,335</u>	<u>2,815,554</u>	<u>10,555,889</u>
<u>\$ 7,852,530</u>	<u>\$ 2,896,096</u>	<u>\$ 10,748,626</u>

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FUND FINANCIAL STATEMENTS

TOWN OF LAKE ARTHUR, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
July 31, 2014

ASSETS	<u>General</u>	<u>Street & Alley</u>
ASSETS		
Cash	\$ 674,645	\$ 234,670
Investments	1,327,910	-
Receivables	24,940	-
Other asset	-	-
Due from other funds	<u>382,651</u>	<u>-</u>
Total assets	<u>\$ 2,410,146</u>	<u>\$ 234,670</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 44,819	\$ 39,272
Other payables	15,947	-
Due to other funds	<u>-</u>	<u>11,956</u>
Total liabilities	<u>60,766</u>	<u>51,228</u>
Fund balances:		
Restricted for:		
Street and alley maintenance	-	183,442
Drainage maintenance	-	-
Sidewalk maintenance	-	-
Debt service	-	-
Unassigned	<u>2,349,380</u>	<u>-</u>
Total fund balances	<u>2,349,380</u>	<u>183,442</u>
Total liabilities and fund balances	<u>\$ 2,410,146</u>	<u>\$ 234,670</u>

The accompanying notes are an integral part of the basic financial statements.

Combined Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,651	\$ 140,272	\$ 1,171,238
181,058	-	1,508,968
-	-	24,940
1,467	-	1,467
-	-	382,651
<u>\$ 304,176</u>	<u>\$ 140,272</u>	<u>\$ 3,089,264</u>

\$ -	\$ 1,141	\$ 85,232
-	-	15,947
-	1,807	13,763
-	2,948	114,942

-	-	183,442
-	100,792	100,792
-	36,532	36,532
304,176	-	304,176
-	-	2,349,380
<u>304,176</u>	<u>137,324</u>	<u>2,974,322</u>
<u>\$ 304,176</u>	<u>\$ 140,272</u>	<u>\$ 3,089,264</u>

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TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET ASSETS
July 31, 2014

Total fund balance for governmental funds at July 31, 2014	<u>\$ 2,974,322</u>
Total net position reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land and construction in progress	911,358
Capital assets, net of \$2,505,278 accumulated depreciation	<u>4,491,887</u>
	<u>5,403,245</u>
Long-term liabilities at July 31, 2014:	
Bonds payable	<u>(525,037)</u>
Total net position of governmental activities at July 31, 2014	<u>\$ 7,852,530</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended July 31, 2014

	<u>General</u>	<u>Street & Alley</u>
Revenue:		
Taxes	\$ 687,333	\$ 288,935
Licenses and permits	92,295	-
Intergovernmental	118,041	18,421
Charges for services	256,202	-
Fines	32,794	-
Grants	4,000	-
Interest	5,950	159
Other	213,098	22,744
Total revenues	<u>1,409,713</u>	<u>330,259</u>
Expenditures:		
Current:		
General and administrative	286,788	-
Highways and streets	-	237,920
Public safety	501,970	-
Health and recreation	316,846	-
Economic development	7,549	-
Community center	32,419	-
Other	329	-
Debt service:		
Principal	14,086	-
Interest	2,478	-
Total expenditures	<u>1,162,465</u>	<u>237,920</u>
Excess (deficiency) of revenues over expenditures	<u>247,248</u>	<u>92,339</u>
Other financing sources (uses):		
Operating transfers in	132	-
Operating transfers in	-	(12,440)
Total other financing sources (uses)	<u>132</u>	<u>(12,440)</u>
Net changes in fund balance	247,380	79,899
Fund balance, beginning	<u>2,102,000</u>	<u>103,543</u>
Fund balance, ending	<u>\$ 2,349,380</u>	<u>\$ 183,442</u>

The accompanying notes are an integral part of the basic financial statements.

Combined Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 33,811	\$ 60,610	\$ 1,070,689
-	-	92,295
-	7,206	143,668
-	-	256,202
-	-	32,794
-	-	4,000
1,111	94	7,314
-	-	235,842
<u>34,922</u>	<u>67,910</u>	<u>1,842,804</u>
-	-	286,788
-	80,622	318,542
-	-	501,970
-	-	316,846
-	-	7,549
-	-	32,419
-	-	329
85,000	-	99,086
19,148	-	21,626
<u>104,148</u>	<u>80,622</u>	<u>1,585,155</u>
<u>(69,226)</u>	<u>(12,712)</u>	<u>257,649</u>
-	-	132
-	-	(12,440)
-	-	(12,308)
(69,226)	(12,712)	245,341
<u>373,402</u>	<u>150,036</u>	<u>2,728,981</u>
<u>\$ 304,176</u>	<u>\$ 137,324</u>	<u>\$ 2,974,322</u>

TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
Year Ended July 31, 2014

Total net changes in fund balances at July 31, 2014 per statement of revenues, expenditures and changes in fund balances	<u>\$ 245,341</u>
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The change in net position reported for governmental
activities in the statement of activities is different
because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay which is considered expenditures on:

Statement of revenues, expenditures and changes in fund balances	48,936
Depreciation expense for the year ended July 31, 2014	<u>(281,168)</u>
	<u>(232,232)</u>

Governmental funds report bonded debt repayments as
expenditures. However, this expenditure does not appear
in the statement of activities since the payment is
applied against the bond payable on the statement of
net position

<u>99,086</u>
<u>\$ 112,195</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND
July 31, 2014

	Business-Type Activities Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 599,900
Investments	469,215
Receivables	44,968
Prepaid expenses	3,732
Total current assets	<u>1,117,815</u>
Noncurrent assets:	
Restricted cash and cash equivalents	75,293
Fixed assets, net of accumulated depreciation	<u>2,306,918</u>
Total noncurrent assets	<u>2,382,211</u>
Total assets	<u>\$ 3,500,026</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 17,608
Accrued interest payable	948
Other payables	8,230
Due to other funds	368,888
Customer meter deposits	75,293
Total current liabilities	<u>470,967</u>
Noncurrent liabilities:	
Due within one year	12,914
Due after one year	<u>120,049</u>
Total noncurrent liabilities	<u>132,963</u>
Total liabilities	<u>603,930</u>
NET POSITION	
Net investment in capital assets	2,173,955
Unrestricted	<u>722,141</u>
Total net assets	<u>\$ 2,896,096</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUND
 Year Ended July 31, 2014

	Business-Type Activities Enterprise Fund
Operating revenues:	
Charges for services	\$ 454,022
Operating expenses:	
Personal services	61,283
Other services and charges	88,289
Materials and supplies	56,583
Heat, light and power	62,281
Depreciation	200,769
Total operating expenses	469,205
Operating (loss)	(15,183)
Nonoperating revenues (expenses):	
Interest income	1,599
Interest fiscal charges	(5,002)
Sales tax	50,409
Miscellaneous	36,411
Total nonoperating revenues (expenses)	83,417
Income before operating transfers	68,234
Operating transfers in	12,308
Change in net position	80,542
Net position, beginning of year	2,815,554
Net position, end of year	\$ 2,896,096

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended July 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 453,703
Cash payments to suppliers for goods and services	(213,100)
Cash payments to employees for services	(61,283)
Net cash provided by operating activities	<u>179,320</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	12,308
Miscellaneous	36,411
Sales tax	50,409
Increase in customer deposits	775
Advances from (to) other funds	24,385
Net cash provided by noncapital financing activities	<u>124,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	(172,914)
Interest paid on bonds	(5,002)
Net cash (used in) capital and related activities	<u>(177,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,599
Purchase of property and equipment	(26,415)
(Increase) in investments	(29,561)
Net cash (used in) investing activities	<u>(54,377)</u>
Net increase in cash and cash equivalents	71,315
Cash and cash equivalents:	
Beginning of year	<u>603,878</u>
End of year	<u>\$ 675,193</u>
Cash and cash equivalents	\$ 599,900
Restricted cash and cash equivalents	<u>75,293</u>
	<u>\$ 675,193</u>

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TOWN OF LAKE ARTHUR, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended July 31, 2014
(Continued)

RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (15,183)
Adjustments to reconcile operating income to net	
cash provided by operating activities:	
Depreciation	200,769
Changes in assets and liabilities:	
(Increase) in receivables	(319)
Increase in payables	<u>(5,947)</u>
Net cash provided by operating activities	<u>\$ 179,320</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2014

		Budget		Variance
	Original	Final	Actual	with Final Budget
REVENUES				
Taxes	\$ 691,300	\$ 691,300	\$ 687,333	\$ (3,967)
Licenses and permits	88,705	88,705	92,295	3,590
Intergovernmental	64,200	64,200	118,041	53,841
Charges for services	326,217	326,217	256,202	(70,015)
Fines	18,000	18,000	32,794	14,794
Interest	5,000	5,000	5,950	950
Other	140,784	140,784	217,098	76,314
Total revenues	<u>1,334,206</u>	<u>1,334,206</u>	<u>1,409,713</u>	<u>75,507</u>
EXPENDITURES				
Current:				
General and administrative	285,162	285,162	286,788	(1,626)
Public safety	534,880	534,880	501,970	32,910
Health and recreation	404,005	404,005	316,846	87,159
Economic development	8,800	8,800	7,549	1,251
Community center	26,945	26,945	32,419	(5,474)
Other	-	-	329	(329)
Debt service:				
Principal retirement	27,000	27,000	14,086	12,914
Interest	2,347	2,347	2,478	(131)
Total expenditures	<u>1,289,139</u>	<u>1,289,139</u>	<u>1,162,465</u>	<u>126,674</u>
Excess (deficiency) of revenues over expenditures	45,067	45,067	247,248	202,181
Other financing sources (uses):				
Operating transfers in	<u>16,363</u>	<u>16,363</u>	<u>132</u>	<u>(16,231)</u>
Net changes in fund balance	61,430	61,430	247,380	185,950
Fund balance, beginning of year	<u>2,102,000</u>	<u>2,102,000</u>	<u>2,102,000</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,163,430</u>	<u>\$ 2,163,430</u>	<u>\$ 2,349,380</u>	<u>\$ 185,950</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA
STREET AND ALLEY FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2014

	<u>Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 293,220	\$ 293,220	\$ 288,935	\$ (4,285)
Interest	100	100	159	59
Other	<u>5,700</u>	<u>5,700</u>	<u>41,165</u>	<u>35,465</u>
Total revenues	299,020	299,020	330,259	31,239
EXPENDITURES				
Current:				
Highways and streets	<u>330,192</u>	<u>330,192</u>	<u>237,920</u>	<u>92,272</u>
Excess (deficiency) of revenues over expenditures	(31,172)	(31,172)	92,339	123,511
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(12,440)</u>	<u>(12,440)</u>
Excess (deficiency) of revenues and other sources over expenditures	(31,172)	(31,172)	79,899	111,071
Fund balance, beginning of year	<u>103,543</u>	<u>103,543</u>	<u>103,543</u>	<u>-</u>
Fund balance, end of year	<u>\$ 72,371</u>	<u>\$ 72,371</u>	<u>\$ 183,442</u>	<u>\$ 111,071</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

July 31, 2014

1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are controlled by, or dependent on the Mayor and Town Council of the Town of Lake Arthur, Louisiana. Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight authority.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specified sources" established that one or more specific restricted or committed revenues shall be the foundation for a special revenue fund.

Capital Projects Funds - These funds account for and report financial resources that are restricted, committed, or assigned for capital acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if

measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
7. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
8. Budgets are amended by resolution approved by the Town Council.

Encumbrance accounting is not used.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

H. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

I. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

J. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a minimum threshold level for capitalizing capital assets of \$1,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to the adoption of GASB 34, it was the Town's policy not to record infrastructure; therefore, the Town did not have a complete listing of infrastructure. The Town has opted not to do a detailed analysis of existing infrastructure, and will begin accumulating infrastructure information prospectively.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Water and sewer lines	30 years
Machinery and equipment	3-10 years
Autos and trucks	3-5 years
Infrastructure	10-40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

L. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the governmental funds and proprietary funds that are legally restricted as to their use. The restricted assets are related to debt service interest sinking and reserve accounts and utility meter deposits. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

2) Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Lake Arthur maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$3,830,174 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

As of June 30, 2014, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-,10</u>	<u>More Than 10</u>
Certificates of deposit	\$ 1,978,183	\$ 1,978,183	\$ -	\$ -	\$ -

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in certificates of deposit and insured money market accounts.

3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2014 taxes of 25.49 mills were levied on property with assessed valuations totaling \$9,537,578 and were dedicated as follows:

General corporate purposes	8.03 mills
Drainage maintenance	5.51 mills
Street and alley maintenance	5.51 mills
Debt service	3.60 mills
Recreation	2.84 mills

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2014, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 893,777	\$ 17,581	\$ -	\$ 911,358
Capital assets being depreciated:				
Infrastructure	3,924,085	-	-	3,924,085
Buildings	1,182,011	-	-	1,182,011
Furniture and equipment	562,547	31,355	7,499	586,403
Vehicles	1,333,806	-	29,141	1,304,665
Total capital assets being depreciated	7,002,449	31,355	36,640	6,997,164
Less accumulated depreciation for:				
Infrastructure	577,096	133,940	-	711,036
Buildings	411,778	40,443	-	452,221
Furniture and equipment	480,631	24,677	7,499	497,809
Vehicles	791,245	82,108	29,141	844,212
Total accumulated depreciation	2,260,750	281,168	36,640	2,505,278
Government activities capital assets, net	\$ 5,635,476	\$ (232,232)	\$ -	\$ 5,403,244
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,604	\$ -	\$ -	\$ 9,604
Capital assets being depreciated:				
Sewer system	5,083,646	14,451	-	5,098,097
Water system	1,627,418	-	-	1,627,418
Vehicles	57,107	-	-	57,107
Furniture and equipment	129,766	11,965	-	141,731
Total capital assets being depreciated	6,897,937	26,416	-	6,924,353
Less accumulated depreciation for:				
Sewer system	3,498,714	151,342	-	3,650,056
Water system	778,982	41,129	-	820,111
Vehicles	42,025	2,626	-	44,651
Furniture and equipment	106,549	5,672	-	112,221
Total accumulated depreciation	4,426,270	200,769	-	4,627,039
Business-type activities capital assets, net	\$ 2,481,271	\$ (174,353)	\$ -	\$ 2,306,918

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 10,843
Public safety	37,406
Highway and streets	17,282
Health and recreation	187,792
Community center	<u>27,845</u>
Total depreciation	<u>\$ 281,168</u>

5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2014:

General obligation bonds:

\$500,000 General Obligation Bonds, Series 2008, interest payable ranging from .1% to 5%, principal and interest payable through the year 2027	\$ 380,000
\$305,000 Certificate of Indebtedness, Series 2012, interest ranging from 0.35% to 3.50%, principal and interest payable through the year 2022	<u>278,000</u>
	<u>\$ 658,000</u>

Long-term liability activity for the year ended July 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation	\$ 465,000	\$ -	\$ (85,000)	\$ 380,000	\$ 20,000
Certificate of indebtedness	<u>159,123</u>	<u>-</u>	<u>(14,086)</u>	<u>145,037</u>	<u>14,086</u>
Total governmental	<u>\$ 624,123</u>	<u>\$ -</u>	<u>\$ (99,086)</u>	<u>\$ 525,037</u>	<u>\$ 34,086</u>
Business-type activities:					
Revenue bonds	\$ 160,000	\$ -	\$ (160,000)	\$ -	\$ -
Certificate of indebtedness	<u>145,877</u>	<u>-</u>	<u>(12,914)</u>	<u>132,963</u>	<u>12,914</u>
Total business- type	<u>\$ 305,877</u>	<u>\$ -</u>	<u>\$ (172,914)</u>	<u>\$ 132,963</u>	<u>\$ 12,914</u>

Debt service requirements at July 31, 2014 were as follows:

Governmental activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 34,086	\$ 20,018
2016	35,130	19,088
2017	40,130	17,984
2018	40,651	16,366
2019	40,651	15,197
2020-2024	224,389	52,515
2025-2029	<u>110,000</u>	<u>11,110</u>
	<u>\$ 525,037</u>	<u>\$ 152,278</u>

Business-type activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 12,915	\$ 2,217
2016	13,870	2,143
2017	13,870	2,048
2018	14,349	1,940
2019	14,349	1,785
2020-2024	<u>63,610</u>	<u>3,933</u>
	<u>\$ 132,963</u>	<u>\$ 14,066</u>

Interest charged to expense during the year ended July 31, 2014 totaled \$26,628, of which \$21,626 was for governmental activities and \$5,002 was for business-type activities.

6) Interfund Transactions

Individual fund interfund receivable and payable balances which are not expected to be repaid within a year at July 31, 2014 were:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 382,651	\$ -
Street and alley maintenance	-	11,956
Utilities system fund	-	368,888
Non-major funds	<u>-</u>	<u>1,807</u>
	<u>\$ 382,651</u>	<u>\$ 382,651</u>

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 132	\$ -
Street and alley maintenance	-	12,440
Utilities system fund	<u>12,308</u>	<u>-</u>
	<u>\$ 12,440</u>	<u>\$ 12,440</u>

7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31, 2014:

Customers deposits	<u>\$ 75,293</u>
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8) Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (Board of Aldermen) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Streets and Alley Fund	32% of 2½% sales tax described in Note 9

9) Dedication of Proceeds and Flow of Funds - 2 ½% Sales and Use Tax

Proceeds of a 2 ½% sales and use tax levied by the Town of Lake Arthur, Louisiana (2014 collections \$741,312, 2013 collections \$780,390) are dedicated to the following purposes:

General Fund	60%
Streets	32%
Water	6.8%
Sidewalks	.8%
Drainage	.4%

10) Pension Plan

Municipal Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom

shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Lake Arthur is a member of plan "B" of the retirement system. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809 or calling 225-925-4810.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 8.75% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending July 31, 2014, 2013, and 2012 were \$24,725, \$22,317, and \$21,162, respectively, equal to the required contributions for each year.

Municipal Police Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer plan administered by the Municipal and State Police Employee's Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of the 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809 or calling 225-925-4810.

Funding policy:

Plan members are required to contribute 10% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 31.5% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Police Employees' Retirement System for the years ending July 31, 2014, 2013, and 2012 were \$-0-, \$2,474, and \$8,172, respectively, equal to the required contributions for each year.

11) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

12) Accumulated Unpaid Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is, no carryover of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the Town will not pay for unused sick leave.

13) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
Totals	<u>9,879</u>	<u>1.000000</u>

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2013 (the latest available audited financial statements which is available in a separately issued financial report) was as follows:

	<u>Total</u>	<u>Lake Arthur (12.2684%)</u>
Total assets	\$ 5,750,133	\$ 705,449
Total liabilities	18,499	2,269
Total net position	5,731,634	703,180
Total revenues	1,483,822	182,041
Total expenditures	1,440,962	176,783
Increase in net position	42,860	5,258

As of December 31, 2013, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be

responsible for closure in accordance with the permit...". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2013, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$116,567 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2014.

14) Amounts Paid Members of Governing Board

Mr. Robert B. Bertrand	\$ 7,200
Ms. Dorothy Charles	2,400
Ms. Sherry Crochet	2,400
Mr. Ellsworth Duhon	2,400
Mr. David Hanks	2,400
Mr. Troy Trahan	<u>2,600</u>
	<u>\$ 19,400</u>

15) Subsequent Events

Management has evaluated subsequent events through the date of the financial statements were available to be issued January 23, 2015.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
July 31, 2014

	<u>Special Revenue</u>		<u>Total</u>
	<u>Sidewalk</u>	<u>Drainage</u>	<u>Governmental</u>
	<u>Maintenance</u>	<u>Maintenance</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>36,532</u>	\$ <u>103,740</u>	\$ <u>140,272</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ 1,141	\$ 1,141
Due to other funds	-	<u>1,807</u>	<u>1,807</u>
Total liabilities	-	2,948	2,948
FUND BALANCE			
Unreserved, undesignated	<u>36,532</u>	<u>100,792</u>	<u>137,324</u>
Total liabilities and fund balance	\$ <u>36,532</u>	\$ <u>103,740</u>	\$ <u>140,272</u>

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended July 31, 2014

	<u>Special Revenue</u>		<u>Total</u>
	<u>Sidewalk</u>	<u>Drainage</u>	<u>Governmental</u>
	<u>Maintenance</u>	<u>Maintenance</u>	<u>Funds</u>
Revenues:			
Taxes	\$ 5,930	\$ 54,680	\$ 60,610
Interest	-	94	94
Intergovernmental income	-	7,206	7,206
Total revenues	5,930	61,980	67,910
Expenditures:			
Highways and streets	24,256	56,366	80,622
Net changes in fund balance	(18,326)	5,614	(12,712)
Fund balance, beginning	54,858	95,178	150,036
Fund balance, ending	<u>\$ 36,532</u>	<u>\$ 100,792</u>	<u>\$ 137,324</u>

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REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Lake Arthur, Louisiana's basic financial statements and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lake Arthur, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 14-1 through 14-2, which we described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Arthur, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Lake Arthur, Louisiana's Response to Findings

The Town of Lake Arthur, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Lake Arthur, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana

January 23, 2015

TOWN OF LAKE ARTHUR, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2014

14-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

14-2 Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasize that the auditor cannot be part of your system of internal control over financial reporting.

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2014

Effect: Material misstatement in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended July 31, 2014

13-1 Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: This condition still exists; however, the Town has implemented supervision and review procedures as recommended.

13-2 Financial Reporting

Condition: This finding was a material weakness relating to the entity's inability to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: This condition still exists; however, the Town has implemented recommended procedures.